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# State of Utah

## Department of Commerce

### Division of Securities

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## NEWS RELEASE

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### **North Salt Lake Promoters Accused of \$11 Million Commodities Trading Fraud** *61 investors expected real estate investments, but money was lost in commodities trading ...*

**SALT LAKE CITY, Utah** – Novus Technologies, LLC, and its two owners, Ralph W. Thompson, Jr. and Duane C. Johnson, all of North Salt Lake, were accused by the Utah Division of Securities of illegally taking more than \$11 million from 61 investors. The investors from nine states were promised interest ranging from 2.5 to 6% *per month* on monies they gave to Novus. The allegations are contained in an order to show cause issued by the Division.

The order to show cause alleges investors were told the majority of their money would be placed in low-risk investments, such as land, and approximately 20% of the funds would be placed in high-risk investments such as an S&P 500 index fund, the futures markets, and foreign currency markets. Investors were assured that their investments were guaranteed against loss by Novus' assets. Investors who lacked funds to invest were referred to a loan officer at Chase Bank, where the loan officer arranged small business loans to the investors and transferred the loan funds directly to Novus.

Instead of placing investor funds in low-risk investments, the Division alleges Novus used the majority of investor funds to trade high-risk commodity futures. The money used to purchase futures contracts was lost. For a time, Novus continued making payments to investors, using money from new investors – a Ponzi scheme.

According to the Division, Novus, Thompson, and Johnson made a variety of false claims when soliciting investors such as claiming the notes were structured in the same way banks use the Federal Reserve system, Novus owned apartment buildings, a television station, a radio station in Chicago, and gold mining claims valued at \$37 billion, Novus has sufficient assets to cover investors' principal and six months of interest, the company made money the same way insurance companies made money, and Novus had joint ventures with the Chinese government. Some of the investors were solicited at investment seminars held at Cottonwood Mall in Salt Lake County.

The Division of Securities alleges that Novus, Thompson, and Johnson engaged in securities fraud, sold unregistered securities, and sold securities through unlicensed salespersons. A hearing will be held on January 28, 2008 to allow the companies and individuals to contest the State's allegations. Earlier this year, the Securities and Exchange Commission filed a civil suit against Novus, Thompson, Johnson, and others for violating federal securities laws. The federal district court in Utah froze the assets of Novus.